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9 ARIZONA SUPERIOR COURT

10 COUNTY OF PIMA

11 State of Arizona, ex rel. Terry Goddard,  
12 Attorney General,

13 Plaintiff

14 vs.

15 LIFELOCK, INC., a Delaware Corporation,  
16 Defendant.

No. C2010-1793

COMPLAINT FOR INJUNCTIVE AND  
OTHER RELIEF

STEPHEN VILLARREAL

17  
18 **I. JURISDICTION AND VENUE**

19 1. This Court has jurisdiction over the subject matter and LifeLock, Inc.  
20 pursuant to the Consumer Fraud Act, A.R.S. §§ 44-1521 *et seq.*

21 2. Venue is in Pima County, Arizona.

22 **II. PARTIES**

23 3. Plaintiff is the State of Arizona *ex rel.* Terry Goddard, the Attorney  
24 General.

25 4. Defendant, LIFELOCK, INC. is a Delaware corporation, with  
26 headquarters in Arizona.

1 **III. DEFENDANT'S COURSE OF CONDUCT**

2 5. Defendant has engaged in the following misleading practices in violation  
3 of A.R.S. 44-1521 *et seq.*:

4 **A. LifeLock's Services**

5 6. Since at least July 4, 2005 through early September, 2009, Defendant  
6 advertised, solicited, offered for sale and sold identity theft protection services to  
7 Arizona consumers.

8 7. Defendant charged consumers \$10.00 per month, or \$110.00 per year,  
9 for its identity theft protection services.

10 8. Prior to September 2009, Defendant took the following steps for each  
11 consumer upon enrollment in its identity theft protection services:

12 A. Requested that credit reporting agencies place a fraud alert on the  
13 consumer's credit record – a free service available to every consumer  
14 under the Fair Credit Reporting Act; and

15 B. Renewed fraud alerts that it placed with credit reporting agencies on  
16 behalf of its consumers every 90 days until instructed otherwise by  
17 the consumer.

18 9. After a customer enrolled in the identity theft protection service,  
19 Defendant ordered each customer's free annual credit reports from each of the credit  
20 reporting agencies – a free service available to every consumer under the Fair Credit  
21 Reporting Act.

22 10. After a customer enrolled in the identity theft protection service,  
23 Defendant sent opt-out requests to credit reporting agencies requesting that  
24 customer's removal from pre-approved credit offer lists.

25 11. According to its former Web site, Defendant's eRecon™ service "scours  
26 thousands of known criminal websites for illegal selling or trading of your personal  
27 information."  
28

1           12. According to its former Web site, Defendant's TrueAddress™ service  
2 "proactively detect[s] any new address information in address databases nationwide."

3           13. Defendant offered identity theft protection services for children.

4           **B. Defendant's Representations Concerning the Effectiveness of Services**

5           14. A full page advertisement in the Chicago Tribune, dated September 16,  
6 2006, offered a promotion for Chicago residents and stated "[o]ur company makes  
7 your personal information useless to any criminal immediately. We guarantee it."

8           15. A full-page advertisement in The Wall Street Journal dated June 30,  
9 2008, stated, "LifeLock became the nation's leader in identity theft protection by taking  
10 a proactive approach to protecting consumers from identity theft."

11           16. That same full-page advertisement in The Wall Street Journal dated  
12 June 30, 2008, stated, "I'm Todd Davis, CEO of LifeLock, and 457-55-5462 is my real  
13 Social Security number. I give it out to show how confident I am in LifeLock's  
14 proactive identity theft protection."

15           17. A full page advertisement in the Chicago Tribune dated September 24,  
16 2009, contains a picture of Todd Davis displaying his Social Security number and the  
17 caption reads in part, "Todd Davis, CEO of identity theft protection company LifeLock,  
18 demonstrates his confidence in his company by sharing his Social Security number."

19           18. As of July 24, 2008, Defendant's Web site stated "LifeLock, the industry  
20 leader in proactive identity theft protection, offers a proven solution that prevents your  
21 identity from being stolen before it happens."

22           19. As of July 23, 2008, Defendant's Web site stated, with respect to identity  
23 theft protection for minor children that "[w]e were the first company in the country that  
24 makes sure that kids are protected from Identity thieves."

25           20. The Wall Street Journal advertisement dated June 30, 2008 quotes  
26 Defendant's CEO Todd Davis describing the Defendant's service that searched for  
27 information in criminal chat rooms: "We're working around the clock monitoring  
28 criminal web sites for the illegal selling and trading of our member's information...."

1           21. Defendant's services did not protect against all types of identity theft.

2           22. Defendant's services did not fully protect children from identity  
3 theft.

4           23. Defendant's services did not remove its customers' personal information  
5 from Web sites where criminals post fraudulently obtained personal information;  
6 Defendant only notified consumers when their information appeared on such Web  
7 sites.

8           **C. Defendant's Representations about Fraud Alerts and the Risk of**  
9           **Identity Theft**

10          24. As of July 7, 2008, Defendant's Web site stated that after a fraud alert  
11 was placed, "[i]f someone is trying to use your personal information, you will be  
12 contacted by the creditor that is issuing the line of credit. If you receive a call and you  
13 are not the one applying for credit, the transaction should be stopped immediately."

14          25. As of July 7, 2008, Defendant's Web site further stated that when a fraud  
15 alert is in place, "[e]very time you apply for new credit or someone tries to do  
16 something with your credit: You should receive a phone call from the bank asking if  
17 you are actually the person applying for credit in your name. If you are, great. If not,  
18 the transaction stops."

19          26. As of June 11, 2009, Defendant's Web site stated, "LifeLock places fraud  
20 alert requests at the three credit bureaus and automatically renews the requests every  
21 90 days. It does not freeze your credit, rather; it safeguards your credit from  
22 unauthorized use."

23          27. In February 2009, Defendant mailed a direct marketing solicitation that  
24 stated: "You're receiving this because you may be at risk of identity theft," when in fact  
25 Defendant could not substantiate that any particular consumer was at risk for identity  
26 theft.

27          28. The February 2009 direct mail solicitation also stated: "WARNING: If you  
28 have used a credit or debit card before January 2009 YOU MAY BE AT RISK."

1           29. Defendant's implication that a security or credit freeze provides weaker  
2 proactive protection against unauthorized use of credit than a 90-day fraud alert is not  
3 necessarily the case.

4           30. Defendant failed to disclose that fraud alerts are not meant to act as a  
5 proactive measure for all consumers.

6           31. Defendant's direct mail marketing piece warned consumers they were at  
7 high risk for identity theft, but Defendant had no knowledge or facts to substantiate  
8 such a warning.

9           **D. Representations Concerning Defendant's Service Guarantee**

10          32. Defendant offers a \$1 million total service guarantee for its services.

11          33. The September 16, 2006 advertisement in the Chicago Tribune states,  
12 "We are so sure that our service works, we are backing it up with a \$1 Million  
13 Guarantee. If your identity is ever stolen while you are our client, we will fix the  
14 problem, repair your credit, and replace every dime you lost from the theft up to  
15 \$1,000,000."

16          34. Defendant's Web site states "[w]e will do whatever it takes to help you  
17 recover your good name and we will spend up to \$1,000,000 to do it."

18          35. As of July 7, 2008, Defendant's Web site claimed, "[i]f you lose money as  
19 a result of the theft, we're going to give it back to you..."

20          36. In fact, Defendant's \$1 million total service guarantee does not replace  
21 out of pocket expenses, but covers the cost of lawyers, investigators, and case  
22 managers for customers who become victims of identity theft due to a failure in  
23 Defendant's service.

24          37. The Consumer Fraud Act at A.R.S. §44-1522 states:

25               The act, use, or employment by any person of any deception,  
26               deceptive act or practice, fraud, false pretense, false promise,  
27               misrepresentation, or concealment, suppression or omission of any  
28               material fact with intent that others rely upon such concealment,  
              suppression or omission, in connection with the sale or  
              advertisement of any merchandise whether or not any person has

1 in fact been misled, deceived, or damaged thereby, is declared to  
2 be an unlawful practice.

3 38. The practices set out in Paragraphs 5 through 37 above violated the  
4 Consumer Fraud Act.

5 39. At all times, Defendant acted willfully pursuant to at A.R.S. §44-1531

6 **PRAYER FOR RELIEF**

7 WHEREFORE, the State of Arizona, through the Attorney General, respectfully  
8 requests a judgment that:

9 A. Prohibits the Defendant, its agents, employees and all other persons and  
10 entities, corporate or otherwise, in active concert of participation with any of them, from  
11 violating the Arizona Consumer Fraud Act, A.R.S. § 44-1521 *et seq.*;

12 B. Prohibits the Defendant from engaging in the course of conduct alleged  
13 herein.

14 C. Requires Defendant to make full restitution to consumers;

15 D. Assesses a civil penalty in the amount of up to Ten Thousand Dollars  
16 (\$10,000) per violation pursuant to A.R.S. § 44-1531;

17 E. Requires Defendant to pay reasonable attorney's fees pursuant to A.R.S.  
18 § 44-1534.

19 G. Provides such other relief as the Court deems necessary.

20 DATED this 9th day of March, 2010.

21 TERRY GODDARD  
22 Attorney General

23 By: Jaren Mellis for  
24 NOREEN R. MATTS  
25 Assistant Attorney General  
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